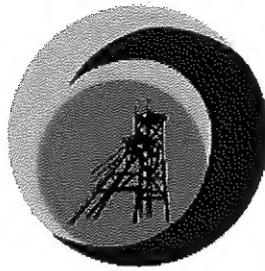


Planning by	Reviewed	Performed by	Final Review

**Client details**

Client name: West Rand District Municipality  
Year end: 30 June 2019

*31/03/2019*



**West Rand District Municipality**

(Registration number DC48)

Annual Financial Statements  
for the year ended 30 June 2019

# West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

## General Information

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Legal form of entity	District Municipality DC48 Municipal Finance Management Act (No. 56 of 2003)
Nature of business and principal activities	Local Municipality
Members of Council	Cllr. S.D Thabe (Executive Mayor) Ald. F.O Bhayat (MMC: Financial Services) D.D Moreotsenye (MMC: Corporate & Shared Services) H.O Butler (MMC: Public Safety) S. Konopi (MMC: Transport and Human Settlements) M.J. Selibo (MMC: Infrastructure) P. Chabane (MMC: Regional Industrialisation) B. Xulu (MMC: Health & Social Services) Ald. TP Matuwane (MMC: Environmental Management) Ald. N. Tundzi-Hawu (Speaker) S.P Monoane (Council Whip) V.B. Khumalo (MPAC Chairperson) Ald. D.H. Pretorius G.S. Isherwood Ald. D.B. Blake E.P. Du Plessis M.N. Ndzhilane A.L. Rowles-Zwart R.T. Molusi K. Mandyu J.D.H. Du Bruyn B.A. Mpeke D.S. David L.A. Mganu M. Ndamase S. Khenene Ald. J. Zwart A.J. Van Tonder P.C. Orpen-Reid M. Nkoe B. Van der Berg K.E. Lekagane J.N. Kotze W. Segolodi X.L. Mkruquli B.R Mafika W. Njani M. Sello L. Modise
Councillors	
Grading of local authority	Medium Capacity Category C

## **West Rand District Municipality**

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

### **General Information**

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<b>Accounting Officer</b>	M.D Mokoena
<b>Chief Finance Officer (CFO)</b>	R. Mohaudi
<b>Registered office</b>	Cnr Sixth & Park Street Randfontein 1760
<b>Business address</b>	Private Bag X033 Randfontein 1760
<b>Bankers</b>	First National Bank Standard Bank - South Africa
<b>Auditors</b>	Auditor-General South Africa

# West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

## Index

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
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Notes to the Annual Financial Statements	30 - 60

MBRR	Municipal Budget and Reporting regulations
MPAC	Municipal Public Accounts Committee
SALGBC	South African Local Government Bargaining Council
RSC	Regional Service Council Levy
GRAP	Generally Recognised Accounting Practice
mSCOA	Municipal Standard Chart of Accounts
FMG	Finance Management Grant
LG SETA	Local Government Sector Education and Training Authority
NDPG	Neighborhood Development Partnership Grant
GDARD	Gauteng Department of Agriculture and Rural development
ME's	Municipal Entities
MMC	Member of the Mayoral committee
MFMA	Municipal Finance Management Act
EPWP	Expanded Public works programme
CIGFARO	Chartered Institute of Government Financial, Audit and Risk officers
WCA	Workmens Compensation Assistance
Cogta	Cooperative Governance and Traditional Affairs

# West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

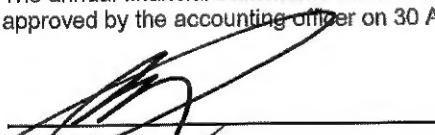
The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

The annual financial statements set out on pages 5 to 60, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2019 and were signed by:



M.P. Mokoena  
Municipal Manager

# **West Rand District Municipality**

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

## **Accounting Officer's Report**

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The accounting officer submits his report for the year ended 30 June 2019.

### **1. Going concern**

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R (86,986,699) and that the municipality's total liabilities exceed its assets by R (86,986,699).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer access continued funding from National and provincial government.

Additional details on municipal going concern assessment is fairly disclosed in the notes to the annual financial statements.

### **2. Subsequent events**

All matters and events that occurred between 30 June 2019 and the date of submission of the annual financial statements have been taken into account and appropriately reported. Please refer to note 45

### **3. Accounting Officer's interest in contracts**

The accounting officer did not have any interest in any contract of the municipality.

### **4. Accounting policies**

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations and guidelines issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### **5. Accounting Officer**

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
M.D Mokoena	South African

### **6. Bankers**

The Municipality primarily banks with First National Bank.

The Municipality also banks with Standard bank of Southern Africa.

### **7. Auditors**

Auditor-General South Africa will continue in office for the next financial period.

### **8. Non compliance with applicable legislation**

Any instance of non compliance to applicable legislation is fairly disclosed in the Notes to the Annual Financial Statements. Please refer to note 53.

# West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Assets</b>			
Current Assets			
Inventories	3	99,093	178,505
Receivables from exchange transactions	4	41,369,937	25,825,119
VAT receivable	5	4,188,821	6,585,979
Non-current assets held for sale	9	288,304	288,304
Cash and cash equivalents	6	2,746,673	-
		<b>48,692,828</b>	<b>32,877,907</b>
Non-Current Assets			
Biological assets that form part of an agricultural activity	7	331,058	338,212
Investment property	8	5,600,000	5,100,000
Property, plant and equipment	9	58,856,827	65,786,531
Intangible assets	10	3	3
Investments in controlled entities	11	14,578,528	14,578,528
Long-term receivables	12	254,916	558,478
		<b>79,621,332</b>	<b>86,361,752</b>
<b>Total Assets</b>		<b>128,314,160</b>	<b>119,239,659</b>
<b>Liabilities</b>			
Current Liabilities			
Finance lease obligation	13	6,869,302	13,326,018
Payables from exchange transactions	14	70,177,614	92,440,144
Transfers payable (non-exchange)	15	30,444,344	30,444,344
Employee benefit obligation	18	2,494,905	1,666,873
Unspent conditional grants and receipts	16	47,814,928	44,586,560
Provisions	17	3,713,175	3,655,698
Overnight Bank facility	6	-	6,113,053
		<b>161,514,268</b>	<b>192,232,690</b>
Non-Current Liabilities			
Finance lease obligation	13	-	6,897,227
Employee benefit obligation	18	53,786,591	54,927,163
		<b>53,786,591</b>	<b>61,824,390</b>
<b>Total Liabilities</b>		<b>215,300,859</b>	<b>254,057,080</b>
<b>Net Assets</b>		<b>(86,986,699)</b>	<b>(134,817,421)</b>
Accumulated deficit		<b>(86,986,699)</b>	<b>(134,817,421)</b>

# West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	19	1,843,195	3,783,604
Rental of facilities and equipment	20	1,586,269	1,522,110
Interest on outstanding receivables		536,616	372,313
Licences and permits		421,739	287,567
Recoveries	22	5,226	1,774,999
Other income	23	-	13,529,247
Operating income	24	24,190,379	7,959,131
Interest received - favourable bank balance	25	411,298	954,005
Fair value adjustments	37	492,847	-
Actuarial gains	18	10,774,870	1,367,176
<b>Total revenue from exchange transactions</b>		<b>40,242,439</b>	<b>31,550,152</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	26	273,183,632	263,596,215
Public contributions and donations	27	254,590	-
<b>Total revenue from non-exchange transactions</b>		<b>273,438,222</b>	<b>263,596,215</b>
<b>Total revenue</b>		<b>313,680,661</b>	<b>295,146,367</b>
<b>Expenditure</b>			
Employee related costs	28	(176,743,161)	(171,856,363)
Remuneration of councillors	29	(13,020,091)	(13,134,026)
Depreciation	30	(7,205,520)	(10,515,440)
Reversal of impairments	31	-	(76,114,645)
Interest costs and penalties	32	(10,982,622)	(6,768,309)
Lease rentals on operating lease	33	(8,721,864)	(8,833,140)
Debt Impairment	34	(841,819)	(5,523,032)
Contracted services	35	(17,241,047)	(59,887,622)
Transfers and Subsidies	36	(13,144,340)	(13,972,195)
Fair value adjustments	37	-	(353,919)
Workmen's compensation movement	17	(1,159,070)	(1,854,205)
Operating costs	38	(16,790,465)	(22,722,393)
<b>Total expenditure</b>		<b>(265,849,999)</b>	<b>(391,535,289)</b>
<b>Surplus (deficit) for the year</b>		<b>47,830,662</b>	<b>(96,388,922)</b>

## West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

### Statement of Changes in Net Assets

Figures in Rand	Accumulated deficit	Total net assets
<b>Balance at 01 July 2017</b>	<b>(38,428,499)</b>	<b>(38,428,499)</b>
Changes in net assets	(96,388,922)	(96,388,922)
Deficit for the year		
<b>Total changes</b>	<b>(96,388,922)</b>	<b>(96,388,922)</b>
Opening balance as previously reported	(126,011,304)	(126,011,304)
Adjustments	(8,806,057)	(8,806,057)
Prior year adjustments (Note 44)		
<b>Restated* Balance at 01 July 2018 as restated*</b>	<b>(134,817,361)</b>	<b>(134,817,361)</b>
Changes in net assets	47,830,662	47,830,662
Surplus for the year		
<b>Total changes</b>	<b>47,830,662</b>	<b>47,830,662</b>
<b>Balance at 30 June 2019</b>	<b>(86,986,699)</b>	<b>(86,986,699)</b>

Note(s)

# West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

## Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		276,412,000	339,074,426
Interest income		411,298	954,005
Other receipts		24,633,890	34,844,145
		301,457,188	374,872,576
<b>Payments</b>			
Employee costs		(204,647,296)	(172,711,938)
Suppliers		(70,628,395)	(171,818,797)
Interest costs and penalties		(1,739,493)	(1,682,517)
		(277,015,184)	(346,213,252)
<b>Net cash flows from operating activities</b>	39	<b>24,442,004</b>	<b>28,659,324</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(35,257)	(14,340)
Purchase of investment property	8	-	-
<b>Net cash flows from investing activities</b>		<b>(35,257)</b>	<b>(14,340)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(15,547,021)	(15,290,159)
<b>Net decrease in cash and cash equivalents</b>		<b>8,859,726</b>	<b>13,354,825</b>
Cash and cash equivalents at the beginning of the year		(6,113,053)	(19,467,878)
<b>Cash and cash equivalents at the end of the year</b>	6	<b>2,746,673</b>	<b>(6,113,053)</b>

# West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	601,000	(601,000)	-	1,843,195	<b>1,843,195</b>	A
Rental of facilities and equipment	1,385,000	-	<b>1,385,000</b>	1,566,269	<b>181,269</b>	B
Interest received (trading)	-	-	-	536,616	<b>536,616</b>	C
Licences and permits	600,000	-	<b>600,000</b>	421,739	(178,261)	H
Recoveries	-	-	-	5,226	<b>5,226</b>	D
Operating income	122,301,000	(98,842,000)	<b>23,459,000</b>	24,190,379	<b>731,379</b>	E
Interest received - favourable bank balance	-	-	-	411,298	<b>411,298</b>	F
<b>Total revenue from exchange transactions</b>	<b>124,887,000</b>	<b>(99,443,000)</b>	<b>25,444,000</b>	<b>28,974,722</b>	<b>3,530,722</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	214,708,000	55,100,000	<b>269,808,000</b>	273,183,632	<b>3,375,632</b>	G
Public contributions and donations	-	-	-	254,590	<b>254,590</b>	G
<b>Total revenue from non-exchange transactions</b>	<b>214,708,000</b>	<b>55,100,000</b>	<b>269,808,000</b>	<b>273,438,222</b>	<b>3,630,222</b>	
<b>Total revenue</b>	<b>339,595,000</b>	<b>(44,343,000)</b>	<b>295,252,000</b>	<b>302,412,944</b>	<b>7,160,944</b>	
<b>Expenditure</b>						
Personnel	(168,329,000)	-	(168,329,000)	(176,743,161)	(8,414,161)	I
Remuneration of councillors	(13,685,000)	-	(13,685,000)	(13,020,091)	664,909	I
Depreciation and amortisation	(8,181,000)	-	(8,181,000)	(7,205,520)	955,480	J
Finance costs	(1,486,000)	-	(1,486,000)	(10,982,622)	(9,496,622)	K
Lease rentals on operating lease	(9,000,000)	-	(9,000,000)	(8,721,864)	278,136	
Debt Impairment	-	-	-	(841,819)	(841,819)	C
Contracted Services	(124,844,000)	92,347,000	(32,497,000)	(17,241,047)	<b>15,255,953</b>	L
Transfers and Subsidies	(4,392,000)	(7,796,000)	(12,188,000)	(13,144,340)	(956,340)	M
Operating costs	(12,297,000)	(33,429,000)	(45,726,000)	(16,790,465)	<b>28,935,535</b>	O
<b>Total expenditure</b>	<b>(342,194,000)</b>	<b>51,122,000</b>	<b>(291,072,000)</b>	<b>(264,690,929)</b>	<b>26,381,071</b>	
<b>Operating surplus</b>	<b>(2,599,000)</b>	<b>6,779,000</b>	<b>4,180,000</b>	<b>37,722,015</b>	<b>33,542,015</b>	
Fair value adjustments	-	-	-	492,847	<b>492,847</b>	N
Actuarial gains/losses	-	-	-	10,774,870	<b>10,774,870</b>	N
Workmen's compensation provision	-	-	-	(1,159,070)	(1,159,070)	P
	-	-	-	<b>10,108,647</b>	<b>10,108,647</b>	
<b>Deficit</b>	<b>(2,599,000)</b>	<b>6,779,000</b>	<b>4,180,000</b>	<b>47,830,662</b>	<b>43,650,662</b>	

## West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(2,599,000)	6,779,000	4,180,000	47,830,662	43,650,662	

# West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	422,000	45,000	467,000	99,093	(367,907)	S
Receivables from exchange transactions	41,138,000	(207,000)	40,931,000	41,369,937	438,937	Q
VAT receivable	-	-	-	4,188,821	4,188,821	R
Non-current assets held for sale	-	-	-	288,304	288,304	
Cash and cash equivalents	-	2,438,000	2,438,000	56,688,519	54,250,519	DD
	<b>41,560,000</b>	<b>2,276,000</b>	<b>43,836,000</b>	<b>102,634,674</b>	<b>58,798,674</b>	
<b>Non-Current Assets</b>						
Biological assets that form part of an agricultural activity	1,312,000	(974,000)	338,000	331,058	(6,942)	N
Investment property	4,980,000	120,000	5,100,000	5,600,000	500,000	N
Property, plant and equipment	86,390,000	(28,706,000)	57,684,000	58,856,827	1,172,827	J
Intangible assets	-	-	-	3	3	J
Investments in controlled entities	14,579,000	(14,579,000)	-	14,578,528	14,578,528	
Long-term receivables	1,055,000	(1,000)	1,054,000	254,916	(799,084)	T
	<b>108,316,000</b>	<b>(44,140,000)</b>	<b>64,176,000</b>	<b>79,621,332</b>	<b>15,445,332</b>	
<b>Total Assets</b>	<b>149,876,000</b>	<b>(41,864,000)</b>	<b>108,012,000</b>	<b>182,256,006</b>	<b>74,244,006</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Finance lease obligation	-	-	-	6,869,302	6,869,302	AA
Payables from exchange transactions	68,239,000	3,411,000	71,650,000	70,177,614	(1,472,386)	U
Transfers payable (non-exchange)	-	30,444,344	30,444,344	30,444,344	-	Z
Employee benefit obligation	-	-	-	2,494,905	2,494,905	V
Unspent conditional grants and receipts	-	20,199,656	20,199,656	47,814,928	27,615,272	Z
Provisions	5,085,000	-	5,085,000	3,713,175	(1,371,825)	W
Overnight Bank facility	50,000,000	(50,000,000)	-	53,941,846	53,941,846	U
	<b>123,324,000</b>	<b>4,055,000</b>	<b>127,379,000</b>	<b>215,456,114</b>	<b>88,077,114</b>	
<b>Non-Current Liabilities</b>						
Employee benefit obligation	70,835,000	-	70,835,000	53,786,591	(17,048,409)	V
<b>Total Liabilities</b>	<b>194,159,000</b>	<b>4,055,000</b>	<b>198,214,000</b>	<b>269,242,705</b>	<b>71,028,705</b>	
<b>Net Assets</b>	<b>(44,283,000)</b>	<b>(45,919,000)</b>	<b>(90,202,000)</b>	<b>(86,986,699)</b>	<b>3,215,301</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated deficit	(44,283,000)	(45,919,000)	(90,202,000)	(86,986,699)	3,215,301	

## West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

# West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Sale of goods and services	601,000	(601,000)	-	-	-	A
Grants	217,306,000	24,903,000	242,209,000	276,412,000	34,203,000	G
Interest income	-	222,000	222,000	411,298	189,298	F
Other receipts	124,287,000	(99,428,000)	24,859,000	24,633,890	(225,110)	E
	<b>342,194,000</b>	<b>(74,904,000)</b>	<b>267,290,000</b>	<b>301,457,188</b>	<b>34,167,188</b>	
<b>Payments</b>						
Employee costs	(169,000,000)	-	(169,000,000)	(204,647,296)	(35,647,296)	I
Suppliers	(120,270,000)	32,257,000	(88,013,000)	(70,628,395)	17,384,605	O
Interest costs and penalties	(1,486,000)	-	(1,486,000)	(1,739,493)	(253,493)	K
	<b>(290,756,000)</b>	<b>32,257,000</b>	<b>(258,499,000)</b>	<b>(277,015,184)</b>	<b>(18,516,184)</b>	
<b>Net cash flows from operating activities</b>	<b>51,438,000</b>	<b>(42,647,000)</b>	<b>8,791,000</b>	<b>24,442,004</b>	<b>15,651,004</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(43,277,000)	43,277,000	-	(35,257)	(35,257)	
<b>Cash flows from financing activities</b>						
Finance lease payments	-	-	-	(15,547,021)	(15,547,021)	AA
Net increase/(decrease) in cash and cash equivalents	8,161,000	630,000	8,791,000	8,859,726	68,726	
Cash and cash equivalents at the beginning of the year	(126,400,000)	120,046,000	(6,354,000)	(6,113,053)	240,947	
Cash and cash equivalents at the end of the year	<b>(118,239,000)</b>	<b>120,676,000</b>	<b>2,437,000</b>	<b>2,746,673</b>	<b>309,673</b>	

# West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand					

### Legends:

A- In terms of mSCOA classification requirements fire and rescue services income are classified as other income while in terms of the GRAP reporting they are classified as service charges.

B- The increase in rental relates to the effect of lease agreement renewal between the municipality and shops.

C- The item relates to interest charged on outstanding rates from lease agreements and was not budgeted for as 100% collection anticipated from the rental of shops.

D- The municipality recovered a portion of material losses disclosed in prior years.

E- In terms of the budget and planning stage the municipality classified funds expected as a result of VAT returns as other income while in terms of accounting treatment these funds are taken to VAT control account based on VAT reconciliations. Material under-collection relates to that classification and reduction of operating expenditure on valuable supplies due to financial constraints..

F- Interest income relates to interest received on favourable bank balance up to 30 June 2019.

G- This relates to the unspent portion of government grants as at 30 June 2019.

H- The municipality collected less amount than anticipated on air quality and atmospheric licenses.

I- The municipality overspent on employee related cost due to expense reclassification in terms of mSCOA for current service costs on post retirement medical aid determined at year-end.

J- A decrease in depreciation is due to fixed assets that reached end of their useful life during the year.

K- The finance cost relates to the leased laptops bought for Councillors through finance lease. The material increase relates to the interest incurred on overdraft facilities and interest cost on post retirement medical aid.

L- Under expenditure in contracted services relates to reclassification of payments as finance lease payments for fire engines and rescue vehicles.

M- Over expenditure in transfers and subsidies relates to computation of pensioners medical aid based on the valuation assessment made at year end for post retirement benefits on medical aid liability.

N- Fair value on biological assets and investment property were not budgeted for since it is a year-end estimate and requires the relevant qualified experts. Actuarial valuation was performed for medical aid liability and long service award provision.

O- Under expenditure on operating costs relates to the municipality heading to cost containment measures in terms of circular 82 issued by National Treasury.

P- Department of Labour Assessment Provision was not budgeted for since it's a year-end estimate.

Q- Increase in receivables relates to billing made to the local municipalities on regional contributions. Fire and rescue accounts were levied during the year.

R- VAT receivable was not budgeted for. The Municipality claims VAT on payment basis and reports on accrual basis.

S- Due to cost containment measures in terms of circular 82 some of stock items were not procured during the year.

T- The study loan balance decreased due to recoveries made during the year.

U- This is due to payments made during the year based on cash flow assessment and additional income which was received.

## West Rand District Municipality

(Registration number DC48)

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Annual Financial Statements for the year ended 30 June 2019

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand					

V- This results from actuarial valuation performed during the year and classification of short-term portion of medical aid liability.

W- This due to the decrease in workmens compensation provision and long service award provision.

Z- This relates to the unspent portion of government grants as at 30 June 2019.

AA- During the 2016/2017 financial year the Municipality entered into finance lease agreement to lease five fire engines and five rescue vehicles due to service delivery demands. The movement relates to the finance lease payments made during the 2018/2019 financial year.

DD- The municipality did not budget for a positive cash balance due to financial contraints.

## West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

### Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.o. s28 and budget s31 of the MFMA)	Final adjustments (i.o. s28 and budget s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2019</b>											
<b>Financial Performance</b>											
Service charges	601,000	-	(601,000)	-	-	-	-	-	1,843,195	307 %	DIV/O %
Interest on favourable bank balance	-	-	-	-	-	-	-	-	411,298	DIV/O %	DIV/O %
Transfers recognised - operational	214,708,000	55,100,000	269,808,000	-	-	269,808,000	273,183,632	-	3,375,632	101 %	127 %
Other own revenue	124,286,000	(98,842,000)	25,444,000	-	-	25,444,000	37,995,099	-	12,551,099	149 %	31 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>339,595,000</b>	<b>(44,343,000)</b>	<b>295,252,000</b>			<b>295,252,000</b>	<b>313,433,224</b>		<b>18,181,224</b>	<b>106 %</b>	<b>92 %</b>
Employee costs	(168,329,000)	-	(168,329,000)	-	-	(168,329,000)	(176,743,161)	-	(8,414,161)	105 %	105 %
Remuneration of councillors	(13,685,000)	-	(13,685,000)	-	-	(13,685,000)	(13,020,091)	-	664,909	95 %	95 %
Debt impairment	(8,161,000)	-	(8,161,000)	-	-	(8,161,000)	(7,205,520)	-	(841,819)	- %	- %
Depreciation and asset impairment	(1,486,000)	-	(1,486,000)	-	-	(1,486,000)	(10,982,622)	-	(9,496,622)	739 %	739 %
Finance charges	(1,486,000)	(7,796,000)	(12,188,000)	-	-	(12,188,000)	(13,144,340)	-	(956,340)	108 %	299 %
Transfers and grants	(4,392,000)	(87,223,000)	(87,223,000)	-	-	(87,223,000)	(42,760,529)	-	44,462,471	49 %	29 %
Other expenditure	(146,141,000)	-	-	-	-	-	-	-	-	-	-
<b>Total expenditure</b>	<b>(342,194,000)</b>	<b>51,122,000</b>	<b>(291,072,000)</b>			<b>(291,072,000)</b>	<b>(264,698,082)</b>		<b>26,373,918</b>	<b>91 %</b>	<b>77 %</b>
<b>Surplus/(Deficit)</b>	<b>(2,599,000)</b>	<b>6,779,000</b>	<b>4,180,000</b>			<b>4,180,000</b>	<b>48,735,142</b>		<b>44,555,142</b>	<b>1,166 %</b>	<b>(1,875)%</b>

## West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

### Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.e. s28 and budget s31 of the MFMA)	Final adjustments (i.e. s28 and budget s31 of the MFMA)	Virement of funds (i.e. s31 of the MFMA)	Shifting of funds (i.e. s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Contributions recognised	-	-	-	-	-	-	-	-	254,590	- %	- %
- capital and contributed assets											
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>(2,599,000)</b>	<b>6,779,000</b>	<b>4,180,000</b>			<b>4,180,000</b>	<b>48,989,732</b>		<b>44,809,732</b>	<b>- % (1,885)%</b>	
<b>Surplus/(Deficit) for the year</b>	<b>(2,599,000)</b>	<b>6,779,000</b>	<b>4,180,000</b>			<b>4,180,000</b>	<b>48,989,732</b>		<b>44,809,732</b>	<b>- % (1,885)%</b>	
<hr/>											
<b>Cash flows</b>											
Net cash from (used) operating	51,438,000	(42,647,000)	8,791,000	-	8,791,000	24,442,004			15,651,004	- %	48 %
Net cash from (used) investing	(43,277,000)	43,277,000	-	-	-	(35,257)			(35,257)	Div/0 %	- %
Net cash from (used) financing	-	-	-	-	-	(15,547,021)			(15,547,021)	- %	- %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>8,161,000</b>	<b>630,000</b>	<b>8,791,000</b>		<b>8,791,000</b>	<b>8,859,726</b>			<b>68,726</b>	<b>101 %</b>	<b>- %</b>
Cash and cash equivalents at the beginning of the year	(126,400,000)	120,046,000	(6,354,000)	-	(6,354,000)	(6,113,053)			240,947	- %	- %
<b>Cash and cash equivalents at year end</b>	<b>(118,239,000)</b>	<b>120,676,000</b>	<b>2,437,000</b>		<b>2,437,000</b>	<b>2,746,673</b>			<b>(309,673)</b>	<b>113 %</b>	<b>- %</b>

## West Rand District Municipality

(Registration number DC48)  
Trading as West Rand District Municipality  
Annual Financial Statements for the year ended 30 June 2019

## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be Restated audited outcome
<b>2018</b>			
<b>Financial Performance</b>			
Service charges			3,783,604
Investment revenue			954,005
Transfers recognised - operational			252,905,775
Other own revenue			27,232,543
			<b>284,875,927</b>
<b>Total revenue (excluding capital transfers and contributions)</b>			
Employee costs			(171,856,363)
Remuneration of councillors			(13,134,026)
Debt impairment			(5,523,032)
Depreciation and asset impairment			(86,630,085)
Finance charges			(6,768,309)
Transfers and grants			(13,972,195)
Other expenditure			(92,217,074)
<b>Total expenditure</b>			(390,101,084)
<b>Surplus/(Deficit)</b>			(105,225,157)
Transfers recognised - capital			10,690,440
<b>Surplus (Deficit) after capital transfers and contributions</b>			(94,534,717)
<b>Surplus/(Deficit) for the year</b>			(94,534,717)

## West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality  
Annual Financial Statements for the year ended 30 June 2019

## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be Restated recovered audited outcome
<b>Cash flows</b>			
Net cash from (used) operating			28,659,324
Net cash from (used) investing			(14,340)
Net cash from (used) financing			(15,290,159)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>13,354,825</b>	
Cash and cash equivalents at the beginning of the year			(19,467,878)
<b>Cash and cash equivalents at year end</b>			<b>(6,113,053)</b>

# West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. The presentation currency of the financial statements is South African Rand.

The municipality and its entity have complied with Municipal standard chart of accounts (mSCOA) in terms of mSCOA regulations. The primary objective of mSCOA is to achieve an acceptable level of uniformity and quality from the collection of data. The data is then used to compile both budgets and financial statements. Budget and financial transactions are captured in the system using seven segments code.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

#### 1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. When any significant judgement and sources of estimation uncertainty are applicable, they have been disclosed in the relevant notes and policies.

# West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.5 Biological assets that form part of an agricultural activity

The entity recognises a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

### 1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

### 1.7 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

# West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.7 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

---

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	7 - 30 years
Plant and machinery	Straight line	5 - 20 years
Furniture and fixtures	Straight line	3 - 17 years
Motor vehicles		
Specialised vehicles	Straight line	5 - 20 years
Other vehicles	Straight line	3 - 20 years
Office equipment	Straight line	3 - 17 years
Roads and stormwater	Straight line	20 - 30 years
Water	Straight line	20 - 30 years
Community	Straight line	20 - 30 years
Emergency equipment	Straight line	5 - 15 years
Water craft	Straight line	5 - 15 years
Security measures	Straight line	5 - 14 years
Other leased Assets	Straight line	2 - 3 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The asset derecognised and not yet sold are held under non current held assets held for sale, and are disclosed under current assets when its expected that the sale will be concluded within a period of 12 months.

# West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.7 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.8 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

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Item	Depreciation method	Average useful life
Computer software, other	Straight line	3 years

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# West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.9 Investments in controlled entities

In the municipality's separate annual financial statements, investments in investments in controlled entities are accounted for at cost.

The WRDA was established to promote tourism and attract investment in the west rand region.

### 1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. The municipality does not recognise any finance charges on leases where there is no interest rate implicit in the lease.

The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of:

- (a) the minimum lease payments; and
- (b) the unguaranteed residual value

to be equal to the sum of (i) the fair value of the leased asset; and (ii) any initial direct costs of the lessor.

A finance lease gives rise to a depreciation expense for depreciable assets as well as finance expense for each accounting period. The depreciation policy for depreciable leased assets shall be consistent with that for depreciable assets that are owned, and the depreciation recognised shall be calculated in accordance with the Standard of GRAP on Property, Plant and Equipment and the International Accounting Standard on Intangible Assets. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

Any contingent rents are expensed in the period in which they are incurred.

### 1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

# West Rand District Municipality

(Registration number DC48)

Trading as West Rand District Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated Impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

### Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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### 1.12 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

### 1.13 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

#### 1.14 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

### 1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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### 1.15 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation. These reversals are recognised as revenue from exchange transactions.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and

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## Accounting Policies

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### 1.15 Provisions and contingencies (continued)

- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.17 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

### 1.18 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2009	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2009	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges	01 April 2019	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	Unlikely there will be a material impact
• GRAP 7 (as revised 2010): Investments In Associates	01 April 2019	Unlikely there will be a material impact
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact

### 3. Inventories

Consumable stores	99,093	178,505
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### 4. Receivables from exchange transactions

Contributions from local municipalities	39,625,800	23,125,800
Other consumer debtors	5,999,946	6,380,824
Fire debtors	3,691,801	3,424,285
Impairment of Receivables	(7,947,610)	(7,105,790)
	41,369,937	25,825,119

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### 4. Receivables from exchange transactions (continued)

#### Trade and other receivables impaired

As of 30 June 2019, trade and other receivables of R 49,317,547 (2018: R 32,930,909) were impaired and provided for.

The amount of the provision was R (7,947,610) as of 30 June 2019 (2018: R (7,105,790)).

The above impairment relates to impairment assessment made to consumer and fire debtors. Debt to constituent municipalities is considered to be of a different risk profile compared to consumer and fire debtors.

The ageing of these receivables is as follows:

3 to 6 months	807,610	426,630
Over 6 months	7,140,000	6,679,160

### 5. VAT receivable

VAT	4,188,821	6,585,979
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The amount relates to amounts receivable from SARS as at 30 June 2019.

### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	7,505	398
Bank balances	2,736,202	-
Short-term deposits	2,966	2,966
Overnight Bank facility	-	(6,116,417)
	<b>2,746,673</b>	<b>(6,113,053)</b>
Current assets	2,746,673	-
Current liabilities	-	(6,113,053)
	<b>2,746,673</b>	<b>(6,113,053)</b>

The municipality had the following cash and cash equivalents accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
First National bank - corporate favourable/ (unfavourable) balance	2,438,145	-	-	2,449,266	-	-
Standard bank - corporate favourable/ (unfavourable) balance	47,183	(6,356,424)	2,141,764	287,203	(6,116,289)	2,531,511
Standard bank Call account	2,967	2,967	149,723	2,966	2,967	149,723
VBS Overnight facility	-	-	(22,000,000)	-	-	(22,000,000)
VBS Fixed deposit	-	76,114,645	-	-	-	-
Heritage Account	-	(93)	(139)	-	(93)	(139)
Petty Cash - Account	-	-	-	7,205	398	750
Cash float	-	-	-	-	-	300
<b>Total</b>	<b>2,488,295</b>	<b>69,761,095</b>	<b>(19,708,652)</b>	<b>2,746,640</b>	<b>(6,113,017)</b>	<b>(19,317,855)</b>

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### 7. Biological assets that form part of an agricultural activity

	2019		2018	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Biological assets - Flowers	331,058	-	331,058	338,212

#### Reconciliation of biological assets that form part of an agricultural activity - 2019

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets - Flowers	338,212	(7,154)	331,058

#### Reconciliation of biological assets that form part of an agricultural activity - 2018

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets - Flowers	1,112,131	(773,919)	338,212

### Non-financial Information

#### Quantities of each biological asset

Biological assets - Flowers	214,080	239,160
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The municipality performed a physical verification of all biological assets at 30 June 2019

A register of all biological assets is available at the Local Economic Development (LED) office of the WRDM for inspection.

#### Methods and assumptions used in determining fair value

The fair value of the different varieties of plants(flowers) were determined by the Multiflora Auction Market. Multiflora Auction Market is the outlet through which the flowers are sold. The decrease in fair value is due to less flowers planted which were valued at year-end compared to the previous financial year.

### 8. Investment property

	2019		2018	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Investment property	5,600,000	-	5,600,000	5,100,000

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### 8. Investment property (continued)

#### Reconciliation of investment property - 2019

	Opening balance	Fair value adjustments	Total
Investment property	5,100,000	500,000	5,600,000

#### Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Total
Investment property	4,680,000	420,000	5,100,000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The effective date of the revaluations was 30 June 2019. Revaluations were performed by an independent valuer, Hangwani Matidza (Professional Valuer-SACPVP Reg no: 4953/7). Hangwani Matidza is not connected to the municipality and has recent experience in location and category of the investment property being valued.

The valuation was based on rental income payable by BP Southern Africa in terms of the signed rental agreement using the income capitalisation approach.

These assumptions are based on current market conditions.

Amounts recognised in surplus and deficit for the year:

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### 9. Property, plant and equipment

	2019		2018	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Land	1,425,001	-	1,425,001	1,425,001
Buildings	37,529,231	(25,975,862)	11,553,369	37,529,231
Plant and machinery	4,542,347	(4,301,297)	241,050	4,542,347
Furniture and fixtures	4,759,999	(4,240,370)	519,629	4,755,652
Motor vehicles	13,744,595	(12,311,346)	1,433,249	13,744,595
Infrastructure	8,684,377	(4,518,507)	4,165,870	8,684,377
Security measures	5,061,649	(4,874,921)	186,728	5,061,649
Emergency equipments	3,464,909	(3,340,402)	124,507	3,464,909
Other property, plant and equipment	20,340	(18,059)	2,281	20,340
Electrical equipment	152,259	(71,056)	81,203	152,259
Office equipment	12,421,292	(11,621,230)	800,062	12,149,822
Finance lease fire engines and rescue vehicles	34,763,519	(4,320,191)	30,443,328	34,763,519
Leased Computer equipment	203,405	(194,838)	8,567	203,405
Specialised vehicles	4,978,139	(2,163,807)	2,814,332	4,978,139
Community Facilities	9,757,656	(4,700,005)	5,057,651	9,757,656
<b>Total</b>	<b>141,508,718</b>	<b>(82,651,891)</b>	<b>58,856,827</b>	<b>141,232,901</b>
				<b>(75,446,370)</b>
				<b>65,786,531</b>

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### 9. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Depreciation	Total
Land	1,425,001	-	(1,619,115)	1,425,001
Buildings	13,172,484	-	(105,994)	11,553,369
Plant and machinery	347,044	4,347	(177,070)	241,050
Furniture and fixtures	692,352	-	(890,896)	519,629
Motor vehicles	2,324,145	-	(533,871)	1,433,249
Infrastructure	4,699,741	-	(133,920)	4,165,870
Security measures	320,648	-	(88,376)	186,728
Emergency equipment	212,883	-	(566)	124,507
Other property, plant and equipment	2,847	-	(8,458)	2,281
Electrical equipment	89,661	-	(552,404)	81,203
Office equipment	1,080,996	271,470	(1,738,176)	800,062
Finance lease fire engines and rescue vehicles	32,181,504	-	30,443,328	
Leased Computer equipment	77,754	-	(69,187)	8,567
Specialised vehicles	3,366,162	-	(551,830)	2,814,332
Community facilities	5,793,309	-	(735,658)	5,057,651
	<b>65,786,531</b>	<b>275,817</b>	<b>(7,205,521)</b>	<b>58,856,827</b>

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### 9. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Land	1,425,001	-	-	-	1,425,001
Buildings	15,076,747	-	-	(1,904,263)	13,172,484
Plant and machinery	591,731	-	(6,096)	(238,591)	347,044
Furniture and fixtures	1,011,180	1,183	(18,034)	(301,977)	692,352
Motor vehicles	4,831,396	-	(242,660)	(2,264,591)	2,324,145
Infrastructure	5,327,075	-	-	(627,334)	4,699,741
Security measures	757,259	-	(2,252)	(434,359)	320,648
Emergency equipment	445,630	-	(396)	(232,351)	212,883
Other property, plant and equipment	26,435	-	(7,474)	(16,114)	2,847
Electrical equipment	99,001	-	-	(9,340)	89,661
Office equipment	2,240,026	13,157	(11,393)	(1,160,794)	1,080,996
Finance lease fire engines and rescue vehicles	33,919,680	-	-	(1,738,176)	32,181,504
Leased Computer equipment	146,941	-	-	(69,187)	77,754
Specialised Vehicles	4,026,193	-	-	(660,031)	3,366,162
Community Facilities	6,635,972	-	-	(842,663)	5,793,309
	<b>76,560,267</b>	<b>14,340</b>	<b>(288,305)</b>	<b>(10,499,771)</b>	<b>65,786,531</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The municipality has included in the property, plant and equipment note assets which have been fully depreciated in accordance with GRAP 17.

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### 10. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,716,412		(2,716,409)	3	2,716,412	(2,716,409)

#### Reconciliation of intangible assets - 2019

	Opening balance	Total
Computer software	3	3

#### Reconciliation of intangible assets - 2018

	Opening balance	Other changes, movements	Total
Computer software	2	1	3

### 11. Investments in controlled entities

Name of company	Held by	% holding 2019	% holding 2018	Carrying amount 2019	Carrying amount 2018
West Rand Development Agency		100.00 %	100.00 %	14,578,528	14,578,528

The total investment in WRDA, comprises of assets transferred on establishment of the Agency. The Assets were identified during transitional provision application of GRAP 17 and Directive 4. The value of the assets was correctly accounted for in accordance with Directive 7: *The application of deemed cost on the adoption of standards of GRAP*.

The investment in WRDA is accounted for appropriately in accordance with GRAP 6.59 at cost.

### 12. Long-term receivables

Long Term receivables comprises of study assistance that were previously allocated to employees in accordance with council approved policy. The study assistance has since been abolished on implementation of cost containment.

Study assistance	254,916	558,478
Outstanding balance as at 30 June 2019		

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<b>13. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	6,869,302	13,326,018
- in second to fifth year inclusive	-	6,897,227
<b>Present value of minimum lease payments</b>	<b>6,869,302</b>	<b>20,223,245</b>
<b>Present value of minimum lease payments due</b>		
- within one year	6,869,302	13,326,018
- in second to fifth year inclusive	-	6,897,227
	<b>6,869,302</b>	<b>20,223,245</b>

Non-current liabilities	-	6,897,227
Current liabilities	6,869,302	13,326,018
	<b>6,869,302</b>	<b>20,223,245</b>

It is municipality's policy to lease fire engines & rescue vehicles and computer equipment (Councillors laptops) under finance leases.

The average lease term for Fire engines/ rescue vehicles is 3 years and for computer equipment is 2 years.

All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The Municipality has not recognised finance cost on lease of fire engines and rescue vehicles in accordance with applicable accounting policy of the WRDM.

## 14. Payables from exchange transactions

Trade payables	45,133,559	59,140,166
Debtors with credit balances	463,383	426,886
Salaries payable	190,995	14,544,382
Leave payable	24,375,581	18,314,614
Stock in transit	14,096	14,096
	<b>70,177,614</b>	<b>92,440,144</b>

## 15. Transfers payable (non-exchange)

Transfers payable	30,444,344	30,444,344
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Transfers payable amount relates to amount received from Provincial Human Settlements in terms of implementation protocol and the unspent portion is payable to Gauteng Department of Human Settlements. The funds were withheld with VBS Mutual Bank which was placed under curatorship from 11 March 2018.

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Figures in Rand	2019	2018
<b>16. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Fire brigade service grant (3)	20,108,423	-
Gauteng Department of Agriculture And Rural Development (1)	5,633,395	2,000,000
Disaster management grant (4)	7,876,550	-
Neighborhood development partnership grant (2)	14,196,560	42,586,560
	<b>47,814,928</b>	<b>44,586,560</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	44,586,560	-
Additions during the year	276,412,000	308,182,775
Income recognition during the year	(273,183,632)	(263,596,215)
	<b>47,814,928</b>	<b>44,586,560</b>

(1) This grant was transferred to the Municipality during April 2018. The municipality transferred this amount to WRDA during May 2018 to assist with operationalising the Milling Plant. Further R4 million was received during the year under review (2018/2019), however the funds were not sufficient to cover the scope required to operationalise the milling plant. Therefore the funds were returned back to Provincial government revenue fund net of the electricity and security cost incurred between 1 July 2018 to June 2019.

(2) The funds are withheld with VBS Mutual Bank which is presently under curatorship from 11 March 2018. The Municipality entered into a repayment arrangement with National Treasury which the amounts unspent were offset in three equal installment against equitable share. The last installment of R14.1 million was paid in July 2019.

(3) This grant was transferred on May 2019 and is utilised to subsidise fire and rescue service operations since the fire services function is an unfunded mandate. In terms of the agreement between Cogta and the Municipality this is a multi-year grant. This assisted the municipality in making payments for specialised vehicles (fire engines and mini rescue vehicles) acquired through finance lease and to finance other operational requirements.

(4) This grant was transferred to the municipality on June 2019 and is used to assist with the disaster management issues within West Rand region. In terms of the agreement between Cogta and the Municipality this is a multi-year grant.

See note 26 for reconciliation of grants from National/Provincial Government.

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### 17. Provisions

#### Reconciliation of provisions - 2019

	Opening Balance	Additions	Movement	Reversed during the year	Total
Performance Bonus	1,135,660	-	-	(201,593)	934,067
Department of labour assessment provision ^	2,520,038	1,159,070	(900,000)	-	2,779,108
	<b>3,655,698</b>	<b>1,159,070</b>	<b>(900,000)</b>	<b>(201,593)</b>	<b>3,713,175</b>

#### Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Long Service Award provision	12,240,674	2,195,000	(906,427)	(13,529,247)	-
Performance Bonus	1,039,671	95,989	-	-	1,135,660
Department of labour assessment provision	1,007,837	1,854,205	(342,004)	-	2,520,038
	<b>14,288,182</b>	<b>4,145,194</b>	<b>(1,248,431)</b>	<b>(13,529,247)</b>	<b>3,655,698</b>

<sup>^</sup> The Department of Labour introduced a new system during the financial year, and correspondence on amounts outstanding sent to municipality. The municipality entered into an arrangement to settle the balance outstanding. At year end, the system could not generate a new assessment due to arrangements in place. The total provision by the municipality is based on 1% of basic earnings.

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<b>18. Employee benefit obligations</b>		
Post-Retirement Medical Obligation (Non-Current)	53,786,591	54,927,163
Post-Retirement Medical Plan Obligation (Current)	2,494,905	1,666,873
	<b>56,281,496</b>	<b>56,594,036</b>

### Defined benefit plan

An actuarial valuation has been performed of the liability in respect of post-employment medical aid benefits to employees and retirees of the WRDM, and to their registered dependants as at 30 June 2019. An independent Actuarial Valuer, which is One Pangaea Financial was appointed by the Municipality to perform these valuations. The company is practising according to the conditions and requirements of the Actuarial Society of South Africa. D.T. Mureriwa is a qualified member of the Actuarial Society of South Africa.

The valuation considers all employees, retired employees and their dependants who participate in the medical aid arrangements and are entitled to a post-employment medical aid subsidy. The post-employment medical aid subsidy liability is not a funded arrangement, i.e no separate assets have been set aside to meet this liability. The Accounting Standards require that an employer's liability be based on the cost of the benefits provided by the employer.

The Medical Schemes Act 1998 enforces community ratings which means that the contributions payable by retirees are the same as those paid by younger members. The employer's cost can therefore be taken as the expected contributions only, as opposed to the expected cost of actual medical aid benefits.

### Post retirement medical aid plan

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid scheme, most of which offers a range of options pertaining to the levels of cover. Upon retirement a retired employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death-on-retirement the surviving dependants may continue membership of the medical scheme.

### Changes in the present value of the defined benefit obligation are as follows:

Opening balance	56,594,036	51,940,686
Benefits paid	(1,666,873)	(1,565,525)
Net expense recognised in the statement of financial performance	1,354,333	6,218,875
	<b>56,281,496</b>	<b>56,594,036</b>

### Net expense recognised in the statement of financial performance

Current service cost	2,886,074	2,818,958
Interest cost	9,243,129	5,079,982
Actuarial (gains) losses	(10,774,870)	(1,680,065)
	<b>1,354,333</b>	<b>6,218,875</b>

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### 18. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.69 %	9.80 %
Health care cost inflation	7.99 %	7.66 %
Consumer price inflation	6.49 %	6.16 %
Net discount rate	2.50 %	1.99 %

#### Medical Scheme Arrangements

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

#### Contribution Rate Structure

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

#### Financial Assumptions

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve

Consequently, a discount rate of 10.69% per annum has been used. These rates do not reflect any adjustment for taxation. These rates were deducted from the yield curve obtained from the Bond Exchange of South Africa after the market closed on 30 June 2019.

#### Key Demographic Assumptions

The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

It has been assumed that 100% of in-service members will remain on the municipality's health care arrangement should they stay until retirement.

It has been assumed that female spouses will be four years younger than their male counterparts. Further, we have assumed that 95% of eligible employees on a health care arrangement at retirement will have an adult dependant. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

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### 18. Employee benefit obligations (continued)

#### Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

		One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost		10,313,894	7,355,424
Effect on defined benefit obligation		65,713,010	48,670,801

	2019 R	2018 R	2017 R	2016 R	2015 R
Defined benefit obligation	56,281,496	56,594,036	51,940,686	53,364,877	59,400,737

### 19. Service charges

Electricity on properties rented out	592,096	654,786
Fire and rescue services	1,251,099	3,046,184
Other service charges	-	82,634
	1,843,195	3,783,604

### 20. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities (Shops and BP garage)	1,388,155	1,358,030
Parking spaces	178,114	164,080
	1,566,269	1,522,110

### 21. Licences and permits (exchange)

Atmospheric air quality licensing	421,739	287,567
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### 22. Recoveries

Funds recovered from MGF pension fund	5,226	1,774,999
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(1) This amount relates to the court settlement in respect of the fraud case which was opened against a former employee of the Municipality. The respective employee was dismissed during 2011/ 2012 financial period.

### 23. Other income

Reversal of long service award provision	-	13,529,247
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(1) Included in other income is the reversal of long service award provision since the long service award policy is currently at the SALGBC as part of a policy dispute. No employees were paid long service benefit effective from November 2017.

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#### 24. Operating income

Sundry income	-	2,632
Contributions from local municipalities (1)	24,000,000	7,500,000
Sale of plants	1,234	9,193
LG Seta Grant	189,145	447,306
	<b>24,190,379</b>	<b>7,959,131</b>

(1) Contribution to local municipalities relates to contributions made on regional transformation supporting West Rand region to become Metro in future.

#### 25. Interest received - favourable bank balance

Interest revenue	411,298	954,005
Bank		

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### 26. Government grants and subsidies

#### Operating grants

Equitable share	34,742,000	31,607,999
RSC Replacement grant	163,265,000	161,579,000
Expanded public works programme	1,105,000	1,000,000
Financial management grant	1,000,000	1,250,000
Rural asset management grant	2,594,000	2,589,000
Fire brigade service grant	57,391,577	15,000,000
Disaster management grant	2,123,450	-
HIV/AIDS grant	7,796,000	7,424,120
Network Libraries	2,800,000	2,800,000
Distressed mining town grant	-	29,655,656
Gauteng Department of Agriculture And Rural Development	366,605	-
	<b>273,183,632</b>	<b>252,905,775</b>

#### Capital grants

Neighborhood Development partnership grant	-	10,690,440
	<b>273,183,632</b>	<b>263,596,215</b>

#### Conditional and Unconditional

Included in above are the following grants and subsidies received in the Municipality's bank account:

Conditional grants received	75,176,632	70,409,215
Unconditional grants received	198,007,000	193,187,000
	<b>273,183,632</b>	<b>263,596,215</b>

#### Expanded public works programme

Current-year receipts	1,105,000	1,000,000
Conditions met - transferred to revenue	(1,105,000)	(1,000,000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The grant used for Labour Intensive programmes as outlined by National Government.

#### Financial management grant

Current-year receipts	1,000,000	1,250,000
Conditions met - transferred to revenue	(1,000,000)	(1,250,000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The grant is used to promote and support reforms in financial management by building capacity in the municipality.

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Figures in Rand	2019	2018
<b>26. Government grants and subsidies (continued)</b>		
<b>RSC Replacement grant</b>		
Current-year receipts	134,875,000	161,579,000
Recoupment of NDPG grant by National Treasury	28,390,000	(161,579,000)
Conditions met - transferred to revenue	(163,265,000)	-
The grant used as revenue adjustment factor as the district does not collect own revenue from service levies.		
The Municipality entered into a repayment arrangement with National Treasury which the amounts unspent were offset in three equal installment against equitable share. The last installment of R14.1 million was paid in July 2019.		
<b>HIV/AIDS grant</b>		
Current-year receipts	7,796,000	7,424,120
Conditions met - transferred to revenue	(7,796,000)	(7,424,120)
Conditions still to be met - remain liabilities (see note 16).		
Grant is utilised to finance HIV/AIDS project campaigns at the WRDM and its Local Municipalities.		
<b>Network Libraries</b>		
Current-year receipts	2,800,000	2,800,000
Conditions met - transferred to revenue	(2,800,000)	(2,800,000)
Conditions still to be met - remain liabilities (see note 16).		
This grant is used to assist with wireless connection and hardware of libraries within the West Rand region.		
<b>Rural asset management grant</b>		
Current-year receipts	2,594,000	2,589,000
Conditions met - transferred to revenue	(2,594,000)	(2,589,000)
Conditions still to be met - remain liabilities (see note 16).		
This grant is used to improve asset management at rural and farming areas.		
<b>Fire brigade service grant</b>		
Conditions met - transferred to revenue	77,500,000	15,000,000
Other	(57,391,577)	(15,000,000)
	<b>20,108,423</b>	-
Conditions still to be met - remain liabilities (see note 16).		
This grant is utilised to subsidise fire and rescue service operations since the fire services function is an unfunded mandate. This assisted the municipality in making payments for specialised vehicles (fire engines and mini rescue vehicles) acquired through finance lease and to finance other operational requirements.		

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>26. Government grants and subsidies (continued)</b>		
<b>Gauteng Department of Agriculture And Rural Development (GDARD)</b>		
Balance unspent at beginning of year	2,000,000	-
Current-year receipts	4,000,000	2,000,000
Conditions met - transferred to revenue	(366,605)	-
	<b>5,633,395</b>	<b>2,000,000</b>

Conditions still to be met - remain liabilities (see note 16).

This grant is used to assist with operationalising the Milling plant. The funds were transferred to the Municipality during April 2018.

### Disaster management grant

Current-year receipts	10,000,000	-
Conditions met - transferred to revenue	(2,123,450)	-
	<b>7,876,550</b>	-

Conditions still to be met - remain liabilities (see note 16).

This grant is used to assist with the disaster management issues within West Rand region.

### Neighborhood Development partnership grant

Balance unspent at beginning of year	42,586,560	-
Current-year receipts	-	53,277,000
Conditions met - transferred to revenue	-	(10,690,440)
Recoupment through equitable share/ RSC levy grant	(28,390,000)	-
	<b>14,196,560</b>	<b>42,586,560</b>

Conditions still to be met - remain liabilities (see note 16).

The grant is used for the development of Regional capital projects within West Rand region.

## 27. Public contributions and donations

Donation of Office equipment	254,590	-
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2019 2018

### 28. Employee related costs

Basic	109,428,052	111,147,980
Bonus	8,072,941	7,605,304
Medical aid - company contributions	11,267,236	11,007,651
UIF	842,412	113,805
SDL	1,110,183	1,044,934
Leave pay provision charge	6,708,731	1,924,192
Pension fund contribution	19,922,022	18,050,489
Group Insurance	1,838,851	1,660,000
Travel, motor car, accommodation, subsistence and other allowances	5,475,486	6,737,675
Overtime payments	4,839,478	4,761,938
Acting allowances	578,648	-
Housing benefits and allowances	935,496	1,087,476
Standby and night shift allowance	2,798,017	2,913,774
Industrial council levy	39,534	6,503
Current service cost (Post retirement medical aid)	2,886,074	3,794,642
	176,743,161	171,856,363

### Remuneration of Municipal Manager (M.D. Mokoena)

Annual Remuneration	1,400,700	1,313,772
Car Allowance	240,000	126,000
Performance Bonuses	-	347,428
Other	15,927	19,002
	1,656,627	1,806,202

Performance bonus payments relates to 2013/2014 assessment which was paid in 2017/2018 financial year.

### Remuneration of Chief Financial Officer (R. Mohaud)

Annual Remuneration	1,549,800	1,330,620
Car Allowance	240,000	240,000
Other	17,418	15,226
	1,807,218	1,585,846

### Executive Manager: Regional and Economic Development (H. Hamer)

Annual Remuneration	239,770	1,438,620
Car Allowance	22,000	132,000
Performance Bonuses	-	108,705
Other	2,099	13,025
	263,869	1,692,350

Performance bonus payments relates to 2013/2014 assessment which was paid in 2017/2018 financial year.

The contract for Executive manager: Regional and economic development ended on 31 August 2018.

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### 28. Employee related costs (continued)

#### Executive Manager: Corporate Services (R Mokebe)

Annual Remuneration	1,065,192	900,948
Car Allowance	276,000	276,000
Other	12,973	11,316
	<b>1,354,165</b>	<b>1,188,264</b>

#### Executive Manager: Health & Social Services (MM Mazibuko)

Annual Remuneration	1,125,192	960,948
Car Allowance	216,000	216,000
Other	11,886	11,568
	<b>1,353,078</b>	<b>1,188,516</b>

#### Executive Manager: Public Safety (M.E. Koloi)

Annual Remuneration	1,125,192	960,948
Car Allowance	216,000	216,000
Performance Bonuses	-	108,705
Other	13,093	12,524
	<b>1,354,285</b>	<b>1,298,177</b>

### 29. Remuneration of councillors

Executive Mayor	936,877	836,633
Mayoral Committee Members	5,578,280	5,397,551
Speaker	826,128	823,225
Councillors	5,678,806	6,076,617
	<b>13,020,091</b>	<b>13,134,026</b>

#### In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor and Speaker has the use of separate Council owned vehicles for official duties.

### 30. Depreciation

Property, plant and equipment	7,205,520	10,515,440
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## Notes to the Annual Financial Statements

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### 31. Impairment of assets

#### Impairments

VBS Mutual Bank Investments - 76,114,645  
 VBS Mutual Bank was placed under curatorship on 11 March 2018. It is uncertain that the municipality will recover the investment made with VBS Mutual Bank. The communication received from the curator states that interest accrued after the date of announcement of curatorship will not be recovered.

The municipality is awaiting for the process to conclude. Once it is certain on how much the municipality will recover, this impairment loss will be reversed.

The impairment has been determined in accordance with the provisions of GRAP 104.61 for financial assets held at amortised cost.

### 32. Interest costs and penalties

Finance leases	1,517	44,546
Bank	147,778	1,643,781
Interest cost	9,243,129	5,079,982
Late payment of tax	1,590,198	-
	<b>10,982,622</b>	<b>6,768,309</b>

### 33. Lease rentals on operating lease

Motor vehicles		
Contractual amounts	7,459,646	7,260,210
Equipment		
Contractual amounts	1,262,218	1,572,930
	<b>8,721,864</b>	<b>8,833,140</b>

### 34. Debt impairment and bad debts write off

Contributions to debt impairment provision	841,819	5,523,032
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Contributions to debt impairment provision relates to movement in doubtful debts provision on consumer debtors and fire debtors. Refer to note 4 (Receivables from exchange transactions) on assumptions used to determine provision.

### 35. Contracted services

<b>Outsourced Services</b>		
Engineering services	-	2,008,134
Business and Advisory	5,473,082	6,318,069
Catering Services	-	8,000
Security Services	5,789,876	8,957,878
<b>Consultants and Professional Services</b>		
Business and Advisory	2,578,044	1,396,483
Legal Cost	2,813,767	876,245

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Figures in Rand	2019	2018
<b>35. Contracted services (continued)</b>		
<b>Contractors</b>		
Cultural festival	-	10,511,160
Maintenance of Buildings and Facilities	-	64,790
Maintenance of Equipment	159,360	-
Maintenance of vehicles	426,918	391,428
Paving of side walks	-	3,381,175
Distressed mining towns	-	25,974,260
	<b>17,241,047</b>	<b>59,887,622</b>
<b>36. Transfers and subsidies</b>		
<b>Grants paid to ME's</b>		
WRDA Subsidy	4,400,000	4,400,000
GDARD (Operationalize Milling plant)	-	2,000,000
	<b>4,400,000</b>	<b>6,400,000</b>
<b>Other subsidies</b>		
Subsidy: Pensioners medical aid	982,210	208,383
Local Municipalities HIV/ Aids Subsidy	7,741,800	7,315,292
Bereavement subsidy	20,330	48,520
	<b>8,744,340</b>	<b>7,572,195</b>
	<b>13,144,340</b>	<b>13,972,195</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>37. Fair value adjustments</b>		
Investment property (Fair value model)	500,000	420,000
Biological assets - (Fair value model)	(7,153)	(773,919)
	<b>492,847</b>	<b>(353,919)</b>
<b>38. Operating costs</b>		
Advertising	190,319	384,021
Auditors remuneration	2,555,941	2,685,931
Bank charges	166,743	76,380
Insurance	3,362,982	3,164,837
Community development and training	-	605,748
Conferences and seminars	-	71,617
Municipal Levies	5,107,136	5,125,138
Membership fees	965,850	1,806,439
Fuel and oil	909,719	1,619,460
Royalties and license fees	131,969	52,226
Software expenses	2,421,975	4,608,533
Telephone and fax	804,862	1,266,400
Training	-	627,773
Travel - local	6,638	70,458
Uniforms and protective clothing	-	55,405
Stock and material	166,331	502,027
	<b>16,790,465</b>	<b>22,722,393</b>
<b>39. Cash generated from operations</b>		
Surplus (deficit)	47,830,662	(96,388,922)
<b>Adjustments for:</b>		
Depreciation and amortisation	7,205,520	10,515,440
Movement on WCA	1,159,070	1,854,205
Fair value adjustments	(492,847)	353,919
Debt impairment	841,819	5,523,032
Movements in retirement benefit assets and liabilities	(312,540)	4,653,350
Movements in provisions	57,477	(10,632,484)
Other non-cash item	192,250	(12,775,028)
Additions-donations	(240,560)	-
<b>Changes in working capital:</b>		
Inventories	79,412	210,365
Receivables from exchange transactions	(15,544,818)	10,999,913
Long term receivables	303,562	496,337
Payables from exchange transactions	(22,262,529)	34,656,753
VAT	2,397,158	4,161,540
Transfers payable (non exchange)	-	30,444,344
Unspent conditional grants and receipts	3,228,368	44,586,560
	<b>24,442,004</b>	<b>28,659,324</b>

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## Notes to the Annual Financial Statements

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### 40. Financial instruments disclosure

#### Categories of financial instruments

2019

#### Financial assets

	At amortised cost	At cost	Total
Long term receivables	-	254,915	254,915
Trade and other receivables from exchange transactions	41,369,937	-	41,369,937
Cash and cash equivalents	2,746,674	-	2,746,674
	<b>44,116,611</b>	<b>254,915</b>	<b>44,371,526</b>

#### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	(70,177,615)	(70,177,615)
Transfers payable (non-exchange)	(30,444,344)	(30,444,344)
Unspent conditional grants and receipts	(47,814,928)	(47,814,928)
	<b>(148,436,887)</b>	<b>(148,436,887)</b>

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#### Financial assets

	At amortised cost	Total
Long term receivables	-	558,478
Trade and other receivables from exchange transactions	25,825,119	-
	<b>25,825,119</b>	<b>558,478</b>
		<b>26,383,597</b>

#### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	(92,449,145)	(92,449,145)
Transfers payable (non-exchange)	(30,444,344)	(30,444,344)
Long term receivables	(6,113,053)	(6,113,053)
Unspent conditional grants and receipts	(44,586,560)	(44,586,560)
	<b>(173,593,102)</b>	<b>(173,593,102)</b>

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### 41. Commitments

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	5,608,221	5,608,221
- in second to fifth year inclusive	-	5,608,221
	<b>5,608,221</b>	<b>11,216,442</b>

The operating lease commitments relates to the municipal vehicles.

#### Operating leases - as lessor (income)

##### Minimum lease payments due

- within one year	1,542,003	1,038,388
- in second to fifth year inclusive	4,009,174	4,103,276
	<b>5,551,177</b>	<b>5,141,664</b>

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### 42. Contingencies

Izak Smal (Up & Under Motors)	-	9,655,700
Despite a court order, Plaintiff claims unlawful eviction from the BP Garage Site and claims loss of income. Matter handed over to the WRDM attorneys to defend the matter. Special pleas raised by WRDM on security to be given by Plaintiff and prescription of the matter.		
Zoliswa Patricia Ndaba	1,075,000	-
Notice in terms of Section 3 of the Institution of Legal Proceedings against Organs of State Act 40 of 2002 received. Claim for injury due to hazard on pavement. Claimant informed that WRDM not responsible for pavements and claim must be referred to Randfontein LM. No further information received as at date of submission of AFS.		
ES du Toit	15,710	-
Motor vehicle accident. However, WRDM erroneously cited as neither the vehicle nor the driver has any relation to the WRDM. Plaintiff served a combined summons on the WRDM		
Municipal employees - Long Service Awards	-	13,529,247
Long service award policy dispute has been referred to the SALGBC as part of a policy dispute after the municipality ceased payments of long service awards due to invalidation of the policy.		
<i>The value of the contingent liability has been determined with reference to the total amount that would be payable in a likely event that the outcome of the case is not in favour of the municipality.</i>		
<i>The matter was ruled in favor of the municipality during 2018/19.</i>		
Matshido Catharine Lieta	-	2,500,000
Plaintiff claiming for damages after falling into an open access hole on the pavement in Westonaria.		
WE Delport t/a Henico motors	191,177	-
Plaintiff claiming outstanding rental for property rented as Fochville fire station in terms of a lease agreement (January to May 2018)		
Nwabisa Mzayiya	-	850,000
Rand West City LM is cited as the 2nd Defendant in the matter and the actual party responsible for roads and pavements in the Westonaria area. It is the submission of the WRDM that we were cited erroneously, despite earlier advice to the Plaintiff.		
WRDM is working together with the legal department of Rand West City LM to address the matter.		
IMATU obo its members	-	5,000,000
Dispute regarding the implementation of WRDM locomotion allowance.		
SI Analytics (Pty) Ltd	-	107,046
Contractual Plaintiff claiming outstanding money for services rendered to WRDM in terms of the service level agreement.		
	1,281,887	31,641,993

### Contingent assets

VBS Mutual Bank was placed under curatorship on 11 March 2018. On the 14 March 2018, the curator informed the municipality that he will consider the interests of all depositors and creditors. The WRDM made investments in terms of Section 13 of the MFMA supported by Council approved policy.

The curator is currently assessing the liquidity position of VBS Mutual Bank and is developing possible remedial strategies. No further notification from the curator was received by the municipality since March 2018. The municipality expects that an inflow of economic benefits (recovery of investments) is probable, however cannot reliably determine the extent of the amounts of the investments that will probably be recovered.

The Municipality successfully lodged a claim on February 2019 against the R76 million funds which were impaired in 2017/2018 financial year.

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### 43. Related parties

#### Relationships

Accounting Officer  
Controlled entities  
Members of key management

Refer to accounting officer's report note

Refer to note 11

M.D. Mokoena: Accounting Officer

R. Mohaudi : Chief Financial Officer

R. Mokebe: Executive Manager - Corporate Services

M.E. Koloi : Executive Manager - Public Safety

M.E. Koloi : Acting Executive Manager - Regional and Economic Development

M.M Mazibuko : Executive Manager - Health & Social Services

H. Hamer : Executive Manager - Regional and Economic Development

The municipality has a 100% share in the WRDA. The entity has its own board of directors and its own executive management.

Transactions relating to key management personnel are disclosed in Note 28 and have been accounted for in terms of GRAP 20.

#### Related party balances

##### Amounts included in Trade Payable regarding related parties

West Rand Development Agency	2,200,000	5,260,125
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This balance relates to the sale of Katlego facilities. The sale was administered by WRDM on behalf of WRDA and the amount was paid after year-end. The R2.2 million relates to the subsidy outstanding at year-end.

#### Related party transactions

##### Subsidy paid to related parties

West Rand Development Agency	4,400,000	4,400,000
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##### Grants transferred to related parties to operationalise Milling plant

West Rand Development Agency	-	2,000,000
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The WRDM has a relationship with Rand West City, Merafong City, and Mogale City Local Municipalities and the WRDA which has resulted in the transfers by the WRDM during the 2018/19 financial year end. In the current financial year, the municipality transferred money to the WRDA.

To the best of the WRDM knowledge and taking into account all disclosures made, no councillor or official has any direct or indirect personal or private business in any matter before the council, or acquired or stand to acquire any direct benefit from contract concluded with the municipality. All assets contributed for the establishment of the WRDA were at fair value.

##### Compensation to accounting officer and other key management

Short-term employee benefits	5,880,275	6,129,007
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### 44. Prior period restatements

#### Statement of financial position (restatements)

The affected restatement is as result of reversal of creditors which were directly paid by National treasury with regard to the paving of side walks and were already accrued into the accounting records.

#### Statement of financial performance (restatements)

The restatement is as a result of understatement in salaries which were not recorded in prior year and accrual of parking fees which were not recognised as revenue. Depreciation for the previous year has been revised based on the updated fixed asset register.

The correction of the error(s) and restatement(s) results in adjustments as follows:

Statement of Financial position	As Previously Reported	Change in accounting policy	Re-Classification	Restatement	Restated Balance
VAT receivable	14,521,038	-	-	(7,935,059)	6,585,979
Property, plant and equipment	65,844,469	-	-	(57,938)	65,786,531
Long-term receivables	1,053,768	-	-	(495,290)	558,478
Payables from exchange transactions	(92,122,375)	-	-	(317,770)	(92,440,145)
Accumulated (surplus)/ deficit	126,011,366	-	-	8,806,057	134,817,423
	<b>115,308,266</b>				<b>115,308,266</b>

Statement of Financial performance	As Previously Reported	Change in accounting policy	Re-Classification	Restatement	Restated Balance
Rental of facilities and equipment	1,358,030	-	-	164,080	1,522,110
Employee related costs	(164,505,102)	-	-	(8,162,003)	(172,667,105)
Depreciation and amortisation	(10,457,502)	-	-	(57,938)	(10,515,440)
Contracted services	(66,364,439)	-	-	6,476,817	(59,887,622)
Transfers and subsidies	(13,982,195)	-	-	10,000	(13,972,195)
Operating cost	(23,008,977)	-	-	286,584	(22,722,393)
	<b>(276,960,185)</b>			<b>(1,282,460)</b>	<b>(278,242,645)</b>

### 45. Events after the reporting date

Any events or transactions which occurred after 30 June 2019 and that require a disclosure or adjustment in the Annual financial statements of West Rand District Municipality were duly accounted for.

### 46. Risk management

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

### 47. Going concern

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to access funding for the ongoing operations for the municipality from the National and Provincial government.

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### 47. Going concern (continued)

In December 2016, the office of the MEC responsible for local government in the province restored the powers and functions to the WRDM in line with Section 84 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) to support the regional vision of the WRDM. The process of implementation is led by the Gauteng Department of Corporate Governance, Traditional Affairs and Human Settlements (GDCOG).

The MEC responsible for Gauteng Provincial Treasury (GPT) has set up a committee to assist the district to secure funding for bulk services. This process is supported by local municipalities in the region which have resolved that the district implements and provides bulk services.

The municipality has made various applications for re-allocation of basic services component of the equitable share allocation relating to the functions of fire brigade services, municipal health services and disaster management. An interpretation of the Disaster Management Act, 2002 (Act No 57 of 2002) and Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998) in so far as it relates to the responsibility of the municipality to perform disaster management, fire fighting and municipal health services has been pursued from the Office of the Chief State Law Advisor.

The municipality has invoked Section 135 of the MFMA and notified all relevant stakeholders its eminent financial problems.

On 22 November 2018 The Gauteng Provincial Executive resolved to intervene in the WRDM in terms of Section 139(5)(a) of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) read in conjunction with Section 139 of the MFMA. The intervention focused on the development of a financial recovery plan for the municipality. The implementation of the financial recovery plan, is expected to recover the financial position of the municipality.

The approved Financial Recovery Plan sets out seven strategies for recoveries as follows:

Strategy One : Strengthening Governance

Strategy Two: Organisational restructuring

Strategy Three: Effective human resources management

Strategy Four: Infrastructure and service delivery improvements

Strategy Five: Improve Financial Sustainability, Administration and Controls by focusing on revenue management, rental of municipal facilities, debtors management, supply chain and expenditure management.

Strategy Six: Budget Restructuring

Strategy Seven: Improve Cash Flow Management

It is the municipality's view that the successful implementation of the financial recovery plan will ensure the municipality's continuation into the foreseeable future.

### 48. Unauthorised expenditure

Opening balance as previously reported	51,137,625	51,137,625
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Unauthorised expenditure relates to non-cash items which are impairment on current assets as at 30 June 2019.

### 49. Fruitless and wasteful expenditure

Opening balance as previously reported	267,783	3,238
<b>Opening balance as restated</b>	<b>267,783</b>	<b>3,238</b>
Add: Fruitless and wasteful Expenditure	2,114,204	264,545
<b>Closing balance</b>	<b>2,381,987</b>	<b>267,783</b>

Fruitless and wasteful expenditure incurred during 2017/2018 and 2018/ 2019 financial years relates to interest and penalties on late payments to SARS.

During 2016/2017 financial year MPAC has tabled the report to Council to write off fruitless and wasteful expenditure amounting to R1,802 which was incurred during 2011/2012.

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<b>50. Irregular expenditure</b>		
Opening balance	10,228,515	14,489,115
Add: Irregular Expenditure - current year *	22,122,853	31,294,656
<b>Opening balance as restated</b>	<b>32,351,368</b>	<b>45,783,771</b>
Less: Amount written off - current	(22,122,853)	(21,066,141)
Less: Amount written off - prior period	-	(14,489,115)
<b>Closing balance</b>	<b>10,228,515</b>	<b>10,228,515</b>
* Included in the irregular expenditure is an amount of R10,228,515.28 for incorrect calculations on travel allowances for a period of 31 months (1 July 2014 to 28 February 2018). The MPAC has referred the matter to the disciplinary board to determine amongst others the actual amount of irregular expenditure arising from incorrect computations.		
<b>51. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Opening balance	1,456,635	1,846,230
Current year subscription / fee	953,350	1,456,635
Amount paid - current year	-	(1,846,230)
	<b>2,409,985</b>	<b>1,456,635</b>
<b>Material losses</b>		
Opening balance	2,225,001	4,000,000
Amount paid - current year	(5,226)	(1,774,999)
	<b>2,219,775</b>	<b>2,225,001</b>
<b>Audit fees</b>		
Opening balance	604,105	593,401
Current year subscription / fee	2,514,441	3,061,962
Amount paid - current year	(1,674,886)	(3,051,258)
	<b>1,443,660</b>	<b>604,105</b>
<b>PAYE and UIF</b>		
Opening balance	4,299,856	4,178,611
Current year subscription / fee	26,311,302	27,335,616
Amount paid - current year	(30,611,158)	(27,214,371)
	<b>-</b>	<b>4,299,856</b>
<b>Pension and Medical Aid Deductions</b>		
Opening balance	8,572,784	2,485,981
Current year subscription / fee	31,189,259	30,716,540
Amount paid - current year	(39,762,043)	(24,629,737)
	<b>-</b>	<b>8,572,784</b>

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### 51. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### VAT

VAT receivable	4,188,821	6,585,979
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VAT output payables and VAT input receivables are shown in note 5. The municipality is registered for VAT on the cash (payment) basis.

All VAT returns have been submitted by the due date throughout the year.

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations (MSCMR) any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and must be reported to Council. The expenses incurred as listed hereunder have been approved in compliance with Section 36 of the MSCMR.

#### Incident

Sole Provider	-	56,943
Impractical to follow SCM	60,904	581,112
	60,904	638,055

### 52. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he/she records the reasons for any deviations and reports them to the next meeting of Council and includes a note to the annual financial statements.

### 53. Non-compliance with Laws and Regulations

The municipality did not always comply with the provisions of Section 65(2)(e) of the MFMA which requires that all payments be reasonably made within 30 days. The non compliance is directly attributable to the financial challenges experienced by the municipality.